

SENATE BILL REPORT

SHB 3060

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, February 23, 2010

Title: An act relating to surplus line coverage.

Brief Description: Modifying surplus line coverage provisions.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Simpson and Kirby).

Brief History: Passed House: 2/13/10, 95-0.

Committee Activity: Financial Institutions, Housing & Insurance: 2/23/10 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: Do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; McDermott, Parlette and Schoesler.

Staff: Diane Smith (786-7410)

Background: A surplus lines insurer is an insurance company that does not have a certificate of authority issued by the Insurance Commissioner to transact business in the state, and may only operate under certain rules, specified by statute. They are also called unauthorized insurers.

The insurance offered by surplus lines brokers must be of a type that is not available from authorized insurers, and the brokers must be licensed as surplus lines brokers. The surplus line broker must make the determination whether the type of insurance is available from authorized insurers and swear to having done so at the time of procuring that insurance. The affidavit must be filed with the Office of Insurance Commissioner (OIC) within 30 days after the insurance is procured.

The surplus lines broker must make two inquiries: (1) whether the insurance is not procurable from a majority of the authorized insurers after diligent effort; and (2) whether the placing of the business with an unauthorized insurer is not for the purpose of obtaining a lower premium rate or to secure any other competitive advantage.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: The affidavit is renamed a declaration. It may be in an electronic format. It must include the statement in the exact form provided, and include that the declaration is made under the penalty of perjury. The declaration is an oath under the criminal code.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill modernizes the statutes so that surplus lines brokers can register electronically rather than having to make wet signatures. This is a technical change only: no changes are made to the surplus lines brokers' duty. The penalty of perjury remains part of the declaration. This will speed up the filing process so that taxes can be more promptly reported.

Persons Testifying: PRO: Representative Simpson, prime sponsor; Robert Hope, Surplus Line Association of Washington.